

---

# **New Jersey Pinelands Commission Long-Term Economic Monitoring Program**

## **Summary of the 2005 Annual Report**

---



**Betty Wilson, Chair**

**John C. Stokes, Executive Director**

**November 2005**

## Introduction

The Pinelands National Reserve was established in 1978 and is the nation's first federal reserve. It covers an area of over one million acres in the heart of southern New Jersey. The Pinelands Comprehensive Management Plan (CMP) was adopted in 1980 and manages land use activities at regional and local levels. Of particular importance to the regional economy are land use policies crafted by the Pinelands Commission and implemented by municipalities that significantly limit development in designated Preservation, Forest, and Agricultural Areas while encouraging development in other districts, particularly in Regional Growth Areas and Pineland's Towns.

The goal of the Long-Term Economic Monitoring Program is to continually evaluate the health of the economy of the Pinelands region in an objective and reliable way. The economic monitoring program, in conjunction with an ongoing environmental monitoring program, provides essential information for consideration by the New Jersey Pinelands Commission as it seeks to meet the mandates set forth in federal and state legislation. Both monitoring programs are cooperative ventures administered by the Pinelands Commission and funded by the National Park Service.

Monitoring of economic conditions is accomplished by compiling data for key indicators in the areas of population demographics, property values, economic growth, and municipal finance. To the extent possible, data for the indicators are obtained from 1980 (the year the Pinelands Comprehensive Management Plan came into effect) to the present, and are updated on an annual basis. Analysis relies on municipal level data for most economic indicators and county level data for some others (refer to Table 1 for specific indicators). To understand the larger context of Pinelands economic trends, the report provides comparisons between several different areas, including Pinelands, Non-Pinelands, Southern New Jersey, and New Jersey. Data compilation was initiated in 1996 with the first in a series of annual reports beginning in 1997. This Executive Summary accompanies the 2005 Annual Report, the ninth in the series of reports.

In addition to ongoing data compilation, the design of the Long-Term Economic Monitoring Program calls for the in-depth analysis of selected issues based on indications observed in the data. Projects currently underway are discussed at the end of this summary.

## What's New This Year

Table 1 shows the indicators tracked by the Long-Term Economic Monitoring Program and the years of data compiled. Major changes to variables collected this year include: population estimates and local municipal purpose revenues have been upgraded from supplemental to core variables, and four new supplemental variables have been added. Supplemental variables provide additional insight into the regional economy but are often too infrequently available to become core indicators. In addition, all dollar values have been re-adjusted to the 2004 consumer-price index (values in the 2004 report were keyed to the 2003 CPI).

**Table 1. Summary of Core and Supplementary Indicators in Ninth Annual Report**

<b>Core Variables</b>	<b>Years Collected<sup>1</sup></b>	<b>Years Added<sup>2</sup></b>	<b>Frequency Collected</b>	<b>Method of Analysis</b>
Population	'80, '90, '00	None	Decennial	Inside/Outside Pinelands (I/OP)
Population (Census Block)	'90, '00	None	Decennial	Census Block
Demographics	'80, '90, '00	None	Decennial	I/OP, Census Block Group
Population Estimates	'01-'03	'03	Annual	I/OP
Building Permits	'80-'04	'04	Annual	I/OP
Vol. Real Est. Transactions	'88-'04	'04	Annual	I/OP
Median Prices of Homes	'89-'04	'04	Annual	I/OP
Income	'79, '89, '99	None	Decennial	I/OP
Unemployment	'80-'04	'04	Annual	I/OP
Employment	'91-'03	'03 (County)	Annual	County, I/OP
Number of Establishments	'91-'03	'03 (County)	Annual	County, I/OP
Payroll by Major Ind. Sector	'91-'03	'03 (County)	Annual	County, I/OP
Per Capita Retail Sales / Establishments	'92, '97, '02	'02	Quintennial	County, I/OP
Farmland Assessed Acres	'80-'84, '86-'02	'02	Annual	I/OP
Blueberry & Cranberry Prod.	'72-'03	'03	Annual	State
Agricultural Census Data	'82, '87, '92, '97, '02	'02	Quintennial	County
Avg. Resid. Property Tax Bill	'83-'04	'04	Annual	I/OP
Equalized Property Value	'80-'04	'04	Annual	I/OP
Effective Tax Rate	'80-'04	'04	Annual	I/OP
Assessment Class Proportions in Municipal Tax	'80-'94, '02-'04	'03-'04	Annual	I/OP
Local Municipal Purpose Revenues	'95-'04	'04	Annual	I/OP
<b>Supplemental Variables</b>	<b>Years Collected</b>			<b>Method of Analysis</b>
New Retail Space in Square Feet	'96-'03			I/OP
New Office Space in Square Feet	'96-'03			I/OP
New School Space in Square Feet	'96-'03			I/OP
Certificates of Occupancy	'96-'03			I/OP

<sup>1</sup> Data acquisition is based on the availability of data. An effort is made to acquire data for every year available from 1980 to the present.

<sup>2</sup> Refers to addition from 2004 Annual Report and specifies which years of data are new in this update.

## **Definition of Pinelands and Non-Pinelands Values**

Data are collected for all of the municipalities of Southern New Jersey as part of the monitoring program. The definition of Southern New Jersey used here includes the following counties: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean, and Salem. Data for most variables are at the municipal level and are aggregated to form Pinelands and Non-Pinelands values. The Pinelands aggregate consists of 47 municipalities in Southern New Jersey that have at least ten percent of their land area within the state-designated Pinelands boundary. The remaining 155 municipalities compose the Non-Pinelands portion of Southern New Jersey. The terms “Pinelands” and “Non-Pinelands” used throughout the report are based on this definition.

This aggregate system is not without limitation, as many Pinelands municipalities are split by the boundary. Thus, some phenomena occurring outside of the Pinelands boundary are included in the Pinelands aggregate. Nevertheless, this aggregate system has proven to be effective in comparing Pinelands and Non-Pinelands trends.

Some information from the US Census is available below the municipal level in the form of census tracts, block groups, and blocks. This data can be used to “split” municipalities in order to get true counts for inside and outside the Pinelands boundary. In these cases, information is provided for the areas of each of the Pinelands municipalities that are inside and outside the Pinelands boundary.

## **Results in Brief**

### Population and Demographics

Four core variables are tracked to monitor population: municipal population change (US Census Data), census block population change, age demographics, and municipal population estimates (NJ Department of Labor).

Previous analysis of US Census data indicated that 615,980 people lived in the Pinelands municipalities, an increase of 12% between 1990 and 2000. An analysis at the census block level revealed that approximately 276,890 people lived inside the Pinelands boundary, while 412,560 people lived in areas of Pinelands municipalities that lie outside of the Pinelands boundary. Population inside the boundary grew by 5.5% between 1990 and 2000, while the population outside the boundary grew by 14%. A number of Pinelands municipalities have a sizeable group-quarters population, which includes institutional (prisons, mental hospitals) and non-institutional (military bases, university dorms) populations.

***The Pinelands municipalities grew at two and a half times the rate of the Non-Pinelands between 2002 and 2003.***

The most recent population estimate data from the NJ Department of Labor demonstrates that the Pinelands municipalities grew more quickly than the Non-Pinelands municipalities between 2002 and 2003. Over that period, the Pinelands grew by 2.2%, adding 14,184 residents, while the Non-Pinelands grew by 0.9%, adding 14,699 residents.

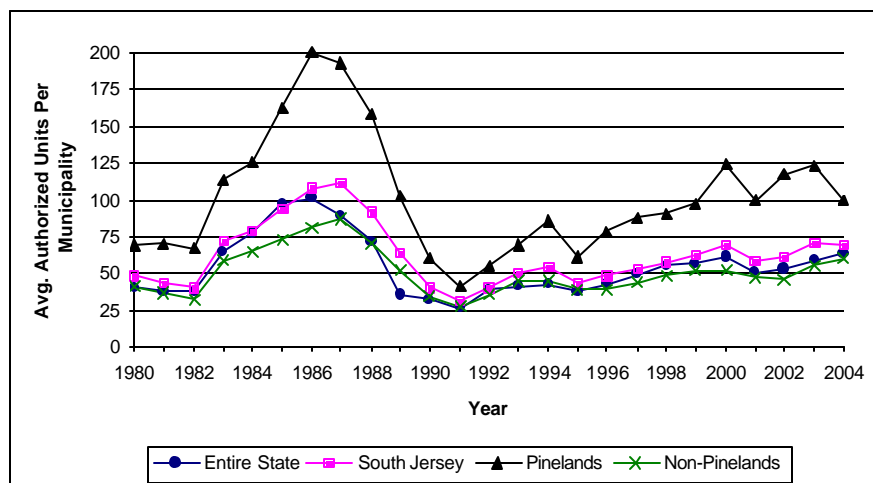
### Property Values and Residential Development

Three core variables are tracked annually to monitor residential development activity and the vitality of property values: the average number of dwelling units authorized by building permits, median selling prices of homes, and volume of residential real estate transactions.

The average number of building permits issued in the Pinelands municipalities decreased by 18.9% in 2004. This marks the first time in the monitoring period that the average number of building permits issued in the Pinelands decreased while both the State as a whole (+8.9%) and the Non-Pinelands region (+8.4%) increased. This drop in activity is due primarily to a slowdown in four municipalities that had previously combined for almost half of all building activity in the Pinelands. Jackson, Hamilton, Egg Harbor Township, and Barnegat combined issued 1,095 fewer permits in 2004 than they did in 2003 (a decrease of 42.3%). The other 43 Pinelands municipalities as a group increased permits by 1.1% in 2004.

### **Building Permits 1980 - 2004**

***Building permit activity dropped 19% in the Pinelands in 2004, marking only the second decline in permits for the region in the last 9 years.***



Despite the slowdown in building permit activity, low interest rates continued to fuel a booming real estate market in 2004. Both the inflation adjusted median selling price of homes and the volume of residential housing transactions posted double-digit percentage increases in the Pinelands in 2004. The median sales price for a home in the Pinelands was \$176,000

***Residential housing transactions in the Pinelands grew at a quicker rate than in the Non-Pinelands for the fifth consecutive year in 2004.***

in 2004 (a 14.3% increase for the year) compared to \$180,000 in the Non-Pinelands. Residential housing transactions increased 15.3% in the Pinelands compared to 12.4% in the Non-Pinelands in 2004, marking the fifth consecutive year that the Pinelands real estate market grew at a quicker rate than the remainder of Southern New Jersey. Similar to building permits, the bulk of home sales took place along the northern, eastern, and western edges of the Pinelands region.

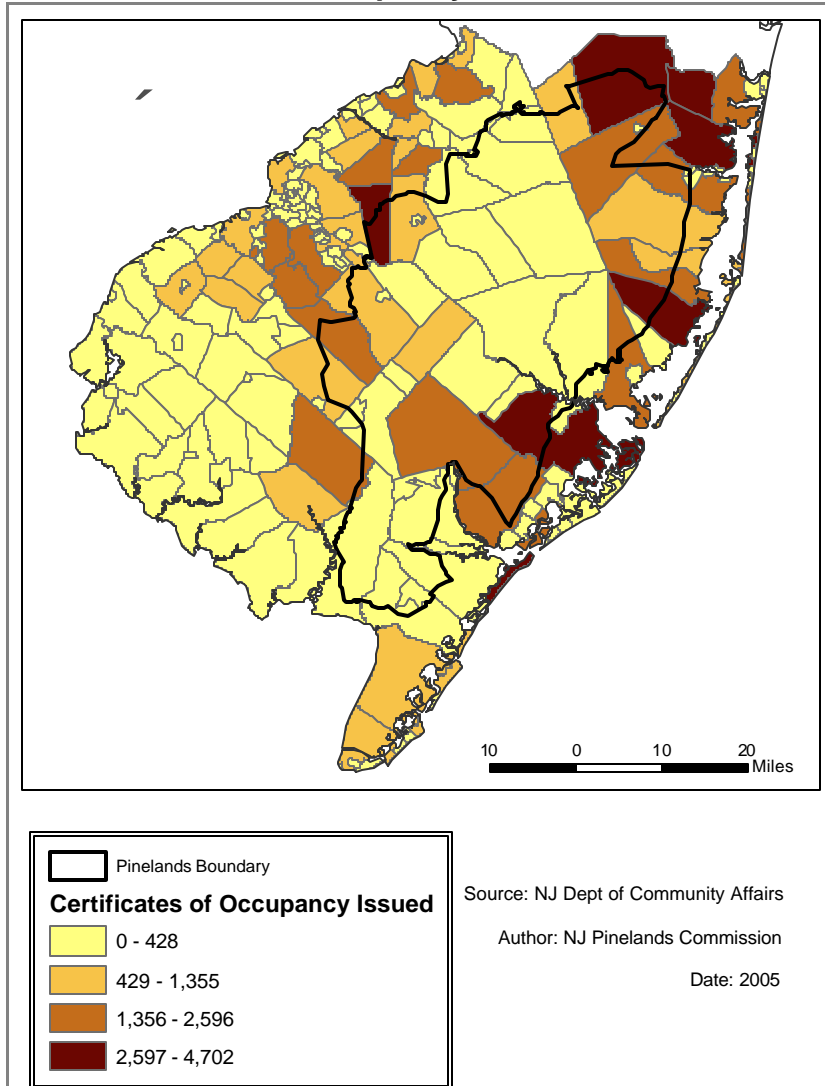
***From 1996-2003, the average Pinelands municipality added 6% more commercial space (sq. ft. of retail and office space) than their Non-Pinelands counterparts.***

Supplemental building permit data was collected this year that provides a glimpse into the non-residential real estate market in Southern New Jersey. In the eight-year period from 1996-2003, Pinelands municipalities averaged 90,107 square feet of new retail space compared with 77,189 square feet for the average Non-Pinelands municipality, a difference of 16.7%. Over the same period, Pinelands municipalities added an average of 81,533 square feet of office space while the Non-Pinelands municipalities added 84,704 square feet of new office space (a difference of just 4%).

The surge in population growth in the Pinelands region is most evident in the data on new school construction. From 1996-2003, the average Pinelands municipality added 60% more square feet of new school space than their Non-Pinelands counterparts (95,735 sq. ft. for the Pinelands versus 59,791 sq. ft. for the Non-Pinelands). The same patterns of population growth show up in the new supplemental data on certificates of occupancy issued from 1996-2003. The Pinelands region contains 11 of the 20 fastest growing municipalities in Southern New Jersey as measured by construction of new residential units over this eight-year period. However, a closer examination of this data hints that much of this growth may in fact be occurring just outside of the Pinelands boundary (see table and map that follow).

Region (# of Municipalities)	Average # of Certificates Of Occupancy Issued from 1996 - 2003
Pinelands (47)	765
Non-Pinelands (155)	374
100% of Land in Pines (11)	151
55-99% of Land in Pines (19)	824
10-54% of Land in Pines (17)	1,096
< 10% of Land in Pines (155)	374

## Certificates of Occupancy Issued 1996 - 2003



### Economic Growth

Seven core variables are monitored to provide insight into the regional business climate and key business sectors: per capita income, unemployment, employment / establishments / wages, retail sales, and agriculture (which includes farmland assessed acreage, blueberry and cranberry production, and agricultural census data).

***After three consecutive years of modest increases, the unemployment rate dropped in all regions of the state in 2004.***

After three consecutive years of modest increases across all regions, the unemployment rate decreased in the Pinelands, Non-Pinelands, and statewide in 2004. The unemployment rate for New Jersey dropped from 5.9% to 4.8% for the year, marking a considerably steeper decline than the national rate, which dropped from 6.0% to 5.5% over the same period. The Pinelands and Non-Pinelands both experienced a 0.8% drop in the unemployment rate in 2004. For 2004, the

unemployment rate in the Pinelands was 4.8% compared to 5.4% for the Non-Pinelands.

Municipal statistics for employment, establishments, and wages collected under the covered employment system revealed that total employment and the number of establishments grew at a much greater rate in the Pinelands than in the Non-Pinelands and the state as a whole from 1998-2003 (see table below). However, wages in the Pinelands continue to be considerably lower than the Non-Pinelands and the state as a whole. The growth in real wages in the Pinelands from 1998-2003 slightly exceeded statewide growth in wages (+4.4% for the Pinelands versus 4.1% for the state), but still lagged behind the Non-Pinelands (+6.1%) for the same period. The largest employment sectors in Pinelands in 2003 were retail (21%), healthcare (13%), and construction (10%). In contrast, the largest sectors for the Non-Pinelands were retail (16%), health care (15%), and accommodation and food (15%).

#### **Employment, Establishments, & Wages**

<b>Employment</b>	<b>1998</b>	<b>2003</b>	<b>% Change 98-03</b>
State	3,160,385	3,264,274	3.3%
Pinelands	118,607	136,741	15.3%
Non Pinelands	600,769	610,972	1.7%
<b>Establishments</b>			
State	241,165	256,253	6.3%
Pinelands	11,320	12,363	9.2%
Non Pinelands	42,952	42,632	-0.7%
<b>Wages</b>			
State	\$45,355	\$47,202	4.1%
Pinelands	\$32,437	\$33,860	4.4%
Non Pinelands	\$34,538	\$36,634	6.1%

***Per capita retail sales grew by 21% in the Pinelands from 1997-2002 while remaining essentially unchanged in the Non-Pinelands.***

Data from the 2002 Census of Retail Trade was released in the past year and also shows evidence of the strong increase in retail trade for the Pinelands region. In the five year period from 1997-2002, real per capita retail sales increased by 21% in the Pinelands. The Non-Pinelands experienced minimal real growth over the same time frame (+0.2%), while real per capita retail sales statewide increased by 7%.

Assessed farmland acreage in the Pinelands decreased 4.9% from 2001 to 2002, marking the largest one-year decrease in the monitoring period. However, since one-year changes in acreage can be affected by seasonal factors such as weather and economic conditions, averages over five year periods are also tracked to reveal longer-term trends. The Pinelands five-year average for assessed farmland acreage was 210,219 acres for the 1998 to 2002 period. The Pinelands five-year average share of South Jersey's total farmland acreage has

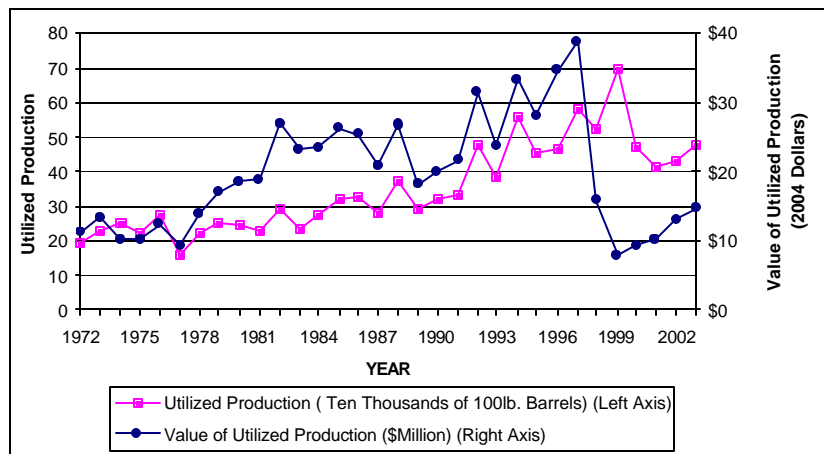


increased from 34% between 1980-1984 to 39% between 1998-2002.

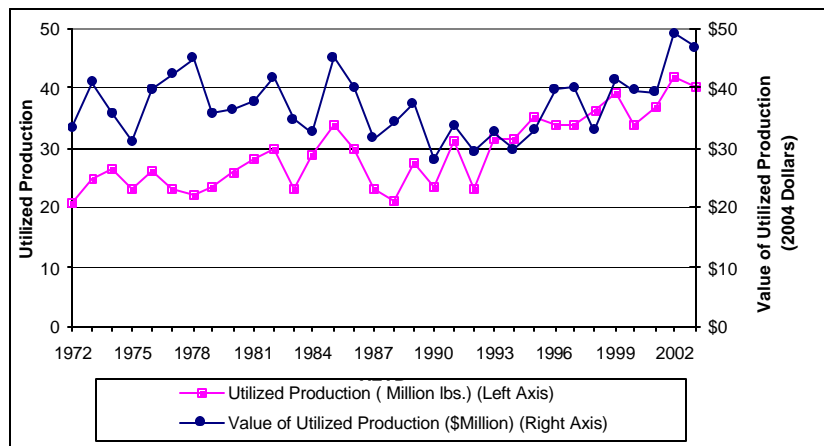
**Real prices for cranberries and blueberries were unchanged in 2003. Cranberry production increased by 11%, while blueberry production dropped 5%.**

Cranberry and blueberry farming have traditionally been key areas of the Pinelands economy. Real prices for both crops were basically unchanged from 2002 to 2003. However, cranberry production did increase 11% for the year while blueberry production dropped 5%.

### NJ Cranberry Production, Value and Volume



### NJ Blueberry Production, Value and Volume



**According to the 2002 Census of Agriculture, the seven Pinelands counties are responsible for more than half of the agricultural sales statewide.**

By nearly any measure used in the recently released 2002 Census of Agriculture, the Pinelands counties made considerable gains in relation to the rest of the state in regards to agriculture between 1997 and 2002. With \$406 million in sales in 2002, the Pinelands counties for the first time make up more than half of the state's agricultural sales (52.8%) while comprising only 36.7% of the total acres farmed in the state.

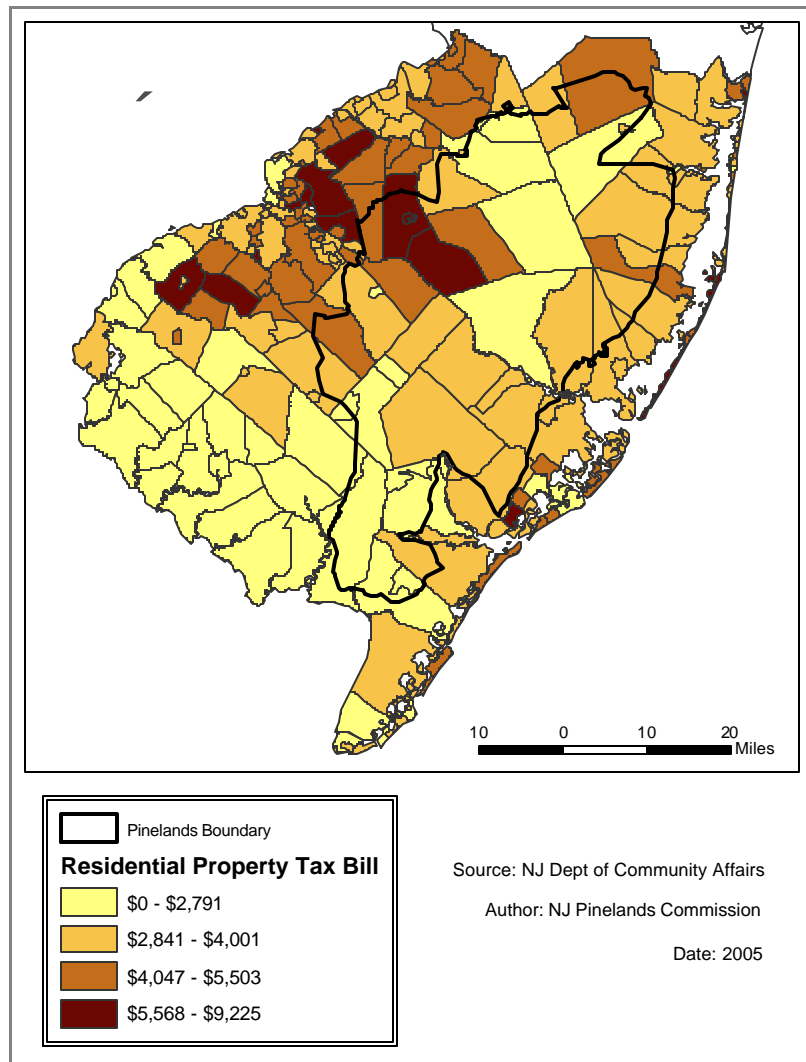
Previous reports indicated that the Pinelands has a lower per capita income than the Non-Pinelands region, but that income

levels grew at a faster rate in the Pinelands between 1989 and 1999.

### Municipal Finances

Five core variables are monitored to provide information on the fiscal health of municipalities: average residential property tax bill, state equalized valuation, effective tax rates, assessment class proportions in municipal tax revenues, and local municipal purpose revenues (upgraded from a supplemental variable from the 2004 report).

### **Average Residential Property Tax Bill in 2004**



***The average inflation-adjusted residential property tax bill in the Pinelands is \$700 lower than the Non-Pinelands region.***

In 2004, the average residential property tax bill increased at a steeper rate in Southern New Jersey (+5.8%) than it did statewide (+1.9%). However, within South Jersey, the Pinelands municipalities registered an increase of only 3.0% compared to a 6.5% increase in the Non-Pinelands. The average 2004 bill in the Pinelands region was \$3,428. The

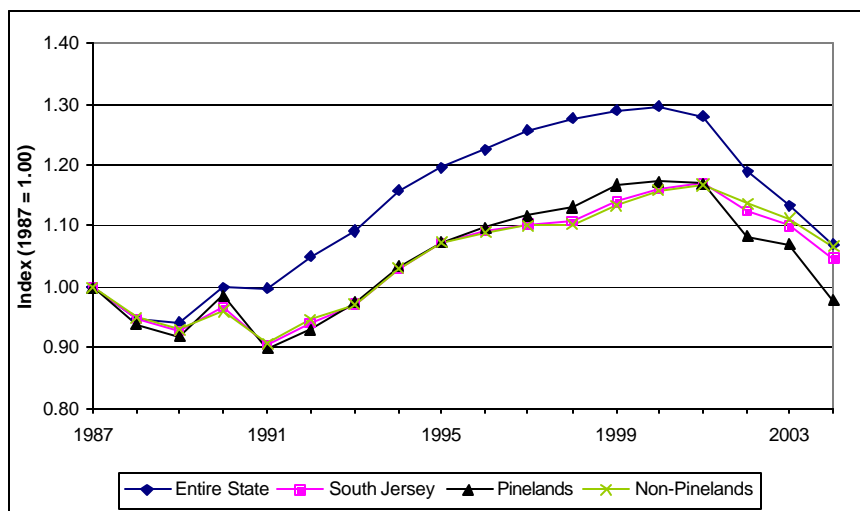
gap between the Pinelands and Non-Pinelands with respect to taxes paid continued to expand in 2004. Average residential property taxes in the Pinelands are now \$700 lower than in the Non-Pinelands and \$2,085 lower than the state as a whole.

***Differences in equalized property values between the Pinelands and Non-Pinelands continue to narrow. The average Non-Pinelands municipality property valuation is now only 2.6% higher than in the Pinelands.***

Equalized property values in all regions rose for the seventh consecutive year in 2004, continuing to spiral upwards at an even faster pace in 2004 than in the previous few years. Equalized values increased statewide by 11%, while values in the Pinelands increased by 15.2% and the Non-Pinelands posted a 13.8% gain. As a result, the gap in valuation between the Pinelands and Non-Pinelands continues to narrow – in 1985, the average Non-Pinelands municipality valuation was 22.8% higher than the average Pinelands municipality. By 2004, that difference has almost evaporated; the average Non-Pinelands municipality valuation is now only 2.6% higher than in the Pinelands.

The average effective tax rate decreased in all regions for the fourth consecutive year in 2004. In fact, the 8.5% decrease in effective tax rates in the Pinelands was the largest drop for the region since 1991. The average effective tax rate in 2004 was 2.14 for the state as a whole, 2.10 for the Pinelands region, and 2.44 for the Non-Pinelands. Over the period from 1987-2004, effective tax rates have actually decreased in the Pinelands (-2%) while increasing in both the state as a whole (+7%) and the Non-Pinelands region (+7% - see chart below).

### Index of Effective Tax Rates 1987 - 2004



New data on assessment class proportions in municipal tax revenues sheds some new light on the changing landscape of the Pinelands versus the Non-Pinelands. The predominant trend from 1984-2004 in the Pinelands has been the decrease in the vacant land assessment category and a corresponding increase in the residential assessment category. The vacant land category in the Pinelands has decreased from 11.9% of

total assessment in 1984 to 4.7% in 2004. Over the same period, the residential category has increased 9.2%.

Local municipal purpose revenues are defined in this study as local municipal purpose taxes plus total miscellaneous revenues. As a whole, the local municipal budgets of the Pinelands municipalities increased at a smaller rate (+2.9%) than the Non-Pinelands municipalities (+4.8%) in 2004. The local budget per capita was \$683 in the Pinelands in 2004 compared to \$1,033 in the Non-Pinelands. The Pinelands generally has lower tax rates and tends to offer less municipal services than the Non-Pinelands. State aid per capita dropped slightly for the Pinelands (from \$161 to \$153) while remaining relatively flat in the Non-Pinelands (a drop of \$2 from \$175 to \$173).

### **Municipal Fact Book**

The Municipal Fact Book first appeared in the 2002 Annual Report. Economic data is arranged by Pinelands municipality, rather than by variable, in order to provide a better understanding of the unique economic characteristics of each municipality. The fact sheets are arranged by county and display a number of variables for each municipality, listed alongside the average municipal value for Southern New Jersey and a ranking for that variable among the 202 municipalities in Southern New Jersey. Since the population data from the 2000 Census will not be updated until 2010, the section of the Fact Book that charts population growth has been replaced this year with an index chart that plots the relative change in the average property tax bill against the change in equalized property value for each municipality over the last 20 years. The Fact Book is located in the appendix of the Annual Report.

### **Special Studies**

Special studies represent the second major component of the program. The studies take a more in-depth look at specific topics uncovered during the course of the monitoring program.

#### *1<sup>st</sup> Special Study: Value-Added Blueberry Products*

Completed in 2001. A detailed description of the project can be found in the 2001 Annual Report.

#### *2<sup>nd</sup> Special Study: Indicators of Municipal Health*

This special study focuses on characterizing and identifying municipalities experiencing poor health. The goals of the project are to: 1) produce a database of indicators that are reflective of municipalities' social, economic, physical, and

fiscal conditions; 2) produce an objective, systematic and repeatable model that identifies municipalities experiencing poor health using the database of indicators; 3) select economically challenged communities using the results from the model; and 4) develop methods to calculate financial aid and/or other resources that may alleviate strain.

In January 2001, a short questionnaire was sent to municipal officials in thirty-six Pinelands municipalities. The questionnaire was designed to reveal opinions on indicators of fiscal health and on ways to measure and compare fiscal health among municipalities. In general, the results of the questionnaire suggest that the most pressing municipal health concerns of Pinelands municipalities relate to a healthy tax base (i.e., a mix of commercial, industrial, residential land), tax rates, and school costs.

A database of indicators was created in 2003 and analysis continues. Preliminary results suggest that Pinelands municipalities generally suffer from low per capita income and a weak commercial and industrial ratable base compared to Non-Pinelands municipalities, while effective tax rates are consistently lower in the Pinelands compared to the Non-Pinelands. A model is being designed that will identify the most fiscally stressed Pinelands towns based on a mix of citizen and government fiscal stress measures. This study is scheduled to be completed by the end of 2005.

#### *Additional Special Projects*

In October of 2003, the Pinelands Commission formed a Housing Task Force in order to update housing demand estimates in the Comprehensive Management Plan. The economic monitoring program has been an integral part of the process, through analysis of population data, the collection and evaluation of population projections, estimating future housing units, defining and calculating vacant developable land using land use and land cover data, and allocating future population and housing to Pinelands development areas based on vacant land.

The Vacant Land Value project currently underway is an extension of the property value and real estate monitoring aspect of the annual report. Pinelands Commission staff obtained data from the New Jersey Department of Treasury on all New Jersey land and housing transactions dating back to 1989. The database contains approximately 5,700 records of transactions inside the Pinelands boundary and 16,000 records outside the Pinelands boundary from the years 1989 through 2002. Vacant land transactions were supplemented with additional information in order to enhance the usefulness of the data in determining the value of vacant land. This study is scheduled to be completed by the end of 2006.